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**FISCAL IMPACT STATEMENT**

**LS 7474**

**BILL NUMBER:** SB 443

**NOTE PREPARED:** Jan 10, 2005

**BILL AMENDED:**

**SUBJECT:** Tax abatement equalization.

**FIRST AUTHOR:** Sen. Server

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**      **GENERAL**  
                                 **DEDICATED**  
                                 **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill provides that tax abatement deductions do not apply for purposes of taxes imposed for fire protection and emergency services. It provides a credit against municipal property taxes to a taxpayer in a municipal taxing district in which the assessed valuation subject to tax abatement is proportionally greater than the average assessed valuation subject to tax abatement in other taxing districts in the county. The bill imposes an equalization levy in the county to replace the revenue lost due to the credit.

**Effective Date:** January 1, 2006.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** The bill provides that tax abatement deductions in economic revitalization areas established after December 31, 2005 do not apply for purposes of taxes imposed for fire protection and emergency services. This causes a shift of the property tax burden from the all taxpayers to taxpayers receiving abatements in the form of an increased tax rate. The fire and emergency services levies would still be part of the current maximum levy controls so the inclusion of additional assessed value does not generate additional revenue.

The bill provides a taxpayer in a taxing district with a percentage of tax abatements and Enterprise Zone

inventory credits greater than the county average would receive and additional property tax replacement credit against township levies and a taxpayer in a taxing district with a percentage less than the county average would have an increase township levies. The bill could shift the impact of current abatements from one taxing district to another in the county. The amount of the shift is unknown. The following chart shows the total assessed value of abatement and the net tax dollar amount of the abatements.

	<b>Assessed Value</b>	<b>Net Tax Dollars</b>
<b>1994</b>	1,098,090,431	96,370,085
<b>1995</b>	969,171,371	87,573,605
<b>1996</b>	1,079,077,083	106,169,772
<b>1997</b>	1,028,072,383	90,763,735
<b>1998</b>	1,012,550,919	86,845,433
<b>1999</b>	1,170,745,389	97,728,459
<b>2000</b>	1,434,077,171	121,832,900
<b>2001</b>	1,710,628,536	151,309,370
<b>2002</b>	5,543,719,781	168,215,854
<b>2003</b>	8,810,032,964	209,989,752

This provision would apply to property taxes due and payable after December 31, 2006.

**State Agencies Affected:**

**Local Agencies Affected:** All.

**Information Sources:** Local Government Database.

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